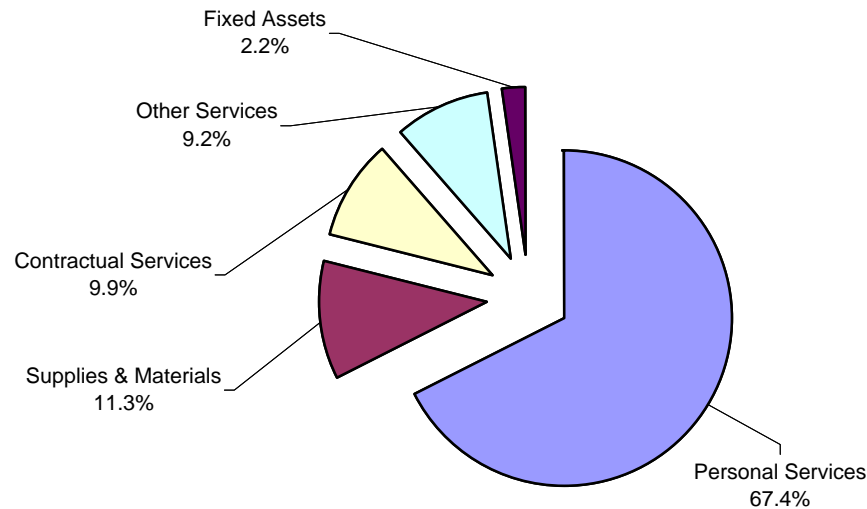


FINANCIAL/OPERATING OVERVIEW

TOTAL EXPENDITURES BY CATEGORY - ALL FUNDS

For the fiscal year ended June 30, 2001, the General Assembly appropriated the Department of Corrections (DOC) an adjusted operating budget of \$828,968,757. The DOC expended \$826,338,575, with the major portion of these expenditures being earmarked for salaries and benefits for its 12,858 employees. The Department operated 29 Major Institutions, 14 Field Units, 5 Work Centers, 6 Diversion Centers, 5 Detention Centers, and an Intensive Treatment Center (Boot Camp) in which 30,097 offenders* were housed. In addition, the Department operated 42 Probation & Parole Districts, 7 Probations & Parole Suboffices, 10 Day Reporting Centers, and 7 Drug Courts to administer community-based programs. (As of June 30, 2001 the number of offenders under such community-based supervision totaled 42,335.)

TOTAL EXPENDITURES BY CATEGORY - FY 2001



	FY 2001	FY 2000
Personal Services	\$ 557,095,055	\$ 495,935,611
Supplies & Materials	93,676,740	95,832,053
Contractual Services	81,752,240	81,092,972
Other Services	75,948,985	65,629,692
Fixed Assets	17,865,555	13,395,658
	<u>\$ 826,338,575</u>	<u>\$ 751,885,986</u>

* On average 30,097 offenders were housed in facilities operated by DOC during Fiscal Year 2001. Excluded from that statistic were 1,571 DOC inmates housed in a privately-operated prison in Lawrenceville.

MANAGEMENT DISCUSSION & ANALYSIS OF SIGNIFICANT EXPENDITURE FLUCTUATIONS

Personal Services are the salaries, wages and fringe benefits (Social Security, health insurance, life insurance, retirement, etc.) of DOC employees. In FY 2001 personal service expenditures increased by \$61.2 million (12.3%) over FY 2000 levels. The largest component of this increase was a \$26.2 million increase in payments to the retirement system trust fund, primarily due to enhanced retirement benefits for security officers that were initiated in FY 2001. Long-term disability insurance rates for security officers also increased in FY 2001, causing the bulk of the \$0.9 million increase in expenditures for that fringe benefit. Group life insurance and retiree health insurance expenditures were suspended in FY 2000 but were reinstated in FY 2001, causing expenditures to increase by \$7.0 million. The remainder of the expenditure increase can be primarily attributed to the compounding effect of salary increases. Beginning November 25, 1999 (5 months into FY 2000) all DOC employees received a 4.4% salary increase. In addition, Corrections Officers (which make up the bulk of a correctional facility's payroll) received a 9.3% increase on top of that in an effort to improve the recruitment and retention of officers. These two increases affected the remaining 7 months of FY 2000 and all of FY 2001. Finally, beginning November 25, 2000 (5 months into FY 2001) all DOC employees received a 3.25% cost-of-living salary increase on top of the increase from the previous year, an increase that affected the remainder of FY 2001.

Other Services consist of miscellaneous services such as unemployment compensation, incentive payments for participation in State-sponsored programs and activities (e.g., halfway houses), grants and aid to local governments, insurance premiums (property, medical malpractice, workers compensation, etc.) , lease payments, rent, utility charges (for water, sewage, electricity, garbage collection, etc.), installment purchases, and debt service. In FY 2001 other services expenditures increased by \$10.3 million (15.8%) over FY 2000 levels. Due to the miscellaneous nature of this category, the reasons for this increase are numerous. For example, expenditures for substance abuse service to probationers and parolees increased by \$0.3 million. Funding for local jail construction was reinstated in FY 2001, causing expenditures to increase by \$0.7 million. Contractual issues, a per diem rate increase, and a billing cycle aberration caused payments related to the privately-operated prison at Lawrenceville to increase by \$0.9 million. Prepayment of six months' rent for the Probation and Parole offices caused rent expenditures to increase by \$1.0 million. Increased premiums and prepayments for medical malpractice insurance increased expenditures by \$1.2 million and \$0.5 million, etc. Similarly, increased premiums and prepayments for workers compensation insurance increased expenditures by \$1.5 million and \$0.8 million, respectively. Loan payments increased by \$2.2 million in FY 2001.

Fixed Assets are equipment, property, physical plant, and improvements to property and physical plant. In FY 2001 fixed assets expenditures increased by \$4.5 million (33.4%) over FY 2000 levels. Again the reasons for this increase are numerous. For example, site development expenditures (security fence construction at St. Brides CC, parking lot paving at Augusta CC, etc.) increased by \$0.3 million. Activities related to the ICIS (Integrated Correctional Information System) and to the DOC computer network upgrade/expansion caused computer equipment expenditures to increase by \$3.0 million. Purchases of security ID photographic equipment increased by \$0.3 million. Purchases of business machines increased by \$0.5 million. Fixed assets are purchased to replace existing assets or to pursue expanded or new activities, thus these expenditures are not consistent from year to year.

